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**Louisville Gas and Electric Company**  
220 West Main Street (40202)  
P.O. Box 32010  
Louisville, Kentucky 40232

December 1, 2004

Ms. Elizabeth O'Donnell  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, Kentucky 40602

Case 2004-00488

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PUBLIC SERVICE  
COMMISSION

**RE: Adjustments to Demand Side Management Cost Recovery Mechanism  
for Louisville Gas and Electric Company – Case No. ~~2000-00459~~**

Dear Ms. O'Donnell:

Louisville Gas and Electric Company ("LG&E") files herewith an original and four copies of the following revised sheets of LG&E Tariff PSC of Ky. Gas No. 6:

First Revision of Original Sheet No. 71.3

This filing reflects revised Demand Side Management Cost Recovery Components as approved by the Commission in its Order of May 11, 2001, in the above-cited case. Four copies of the supporting data for the twelve month period ending December 31, 2004 are also filed herewith.

Sincerely,

Robert M. Conroy  
Manager, Rates

Enclosures

**STANDARD RATE SCHEDULE**

**DSMRM**

**Demand-Side Management Cost Recovery Mechanism**

**Applicable to:** Residential Gas Service Rate RGS, Firm Commercial Gas Service Rate CGS, Firm Industrial Gas Service Rate IGS, As Available Gas Service Rate AAGS, Rate TS, and Rate FT.

As used herein, the term "commercial" applies to any activity engaged primarily in the sale of goods or services including institutions and local, state and federal governmental agencies for uses other than those involving manufacturing.

As used herein, the term "industrial" applies to any activity engaged primarily in a process or processes which create or change raw or unfinished materials into another form or product.

**DSM Cost Recovery Component (DSMRC):**

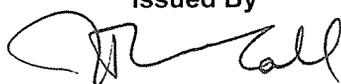
Residential Customers Served Under Residential Rate RGS

	<u>Energy Charge</u>
DSM Cost Recovery Component (DCR):	00.453 ¢/Ccf
DSM Revenues from Lost Sales (DRLS):	00.057 ¢/Ccf
DSM Incentive (DSMI):	00.024 ¢/Ccf
DSM Balance Adjustment (DBA):	(00.185) ¢/Ccf
 DSMRC Rate RGS:	 00.349 ¢/Ccf

Commercial Customers Served Under Firm  
Commercial Gas Service Rate CGS, As Available  
Gas Service Rate AAGS, Rate TS, and Rate FT

DSM Cost Recovery Component (DCR):	00.007 ¢/Ccf
DSM Revenues from Lost Sales (DRLS):	00.002 ¢/Ccf
DSM Incentive (DSMI):	00.000 ¢/Ccf
DSM Balance Adjustment (DBA):	(00.060) ¢/Ccf
 DSMRC Rate CGS:	 (00.051) ¢/Ccf

Date of Issue: December 1, 2004  
Canceling Original Sheet No. 71.3  
Issued July 20, 2004

Issued By  


Date Effective: January 1, 2005

John R. McCall, Executive Vice President,  
General Counsel, and Corporate Secretary  
Louisville, Kentucky

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**LOUISVILLE GAS & ELECTRIC COMPANY**

**Supporting Calculations for the  
DSM Cost Recovery Mechanism**

**GAS SERVICE**

**Twelve-Month Period Beginning January 1, 2005  
and Ending December 31, 2005**

LOUISVILLE GAS & ELECTRIC COMPANY  
 Summary of Total DSM Cost Recovery Component (DSMRC)  
 12-Month Period Beginning January 1, 2005

Rate Schedule	DSM Cost Recovery Component (DCR) Exhibit AG	DSM Revenues From Lost Sales Component (DRLS) Exhibit BG	DSM Incentive Component (DSMI) Exhibit CG	DSM Balance Adjustment Component (DBA) Exhibit DG	DSM Recovery Component (DSMRC) Total
Residential Rate RGS	0.453	0.057	0.024	(0.185)	0.349 ¢/Ccf
Commercial Customers Served Under Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT	0.007	0.002	0.000	(0.060)	(0.051) ¢/Ccf

LOUISVILLE GAS & ELECTRIC COMPANY  
Summary of DSM Revenues from DSM Cost Recovery Component (DCR)  
12-Month Period Beginning January 1, 2005

Rate Schedule	Exhibit Reference	DSM Cost Recovery Total Amount	Estimated Billing Determinants	DSM Cost Recovery Component (DCR)
Residential Gas Service RGS	AG-1	\$ 1,049,405	231,800,295 Ccf	0.453 ¢/Ccf
Commercial Customers Served Under Rate CGS, Rate G6 Rate G7, Rate TS, and Rate FT	AG-2	\$ 8,413	125,538,609 Ccf	0.007 ¢/Ccf
Total DCR Amount		\$ 1,057,818		

LOUISVILLE GAS & ELECTRIC COMPANY  
DSM Cost Recovery Component (DCR)  
12-Month Period Beginning January 1, 2005

Program costs, which are categorized by residential and commercial, must be allocated first to gas and to electric, and then to the individual rate schedules. The first step, allocation between gas and electric, is shown on page 3.

On page 4, the DSM Program costs are further assigned to the rate schedules, which is the second and final step of the cost allocation process. The program costs for the Residential Rate R, the Residential Gas Service RGS, and the Commercial Customers served under Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT were directly assigned to the rate schedules by means of the allocation to gas and to electric on page 3.

The auxiliary Exhibits identified as AG-1 through AG-3 provide the specific analyses of program costs, revenue recovery, and billing determinants which are necessary to compute the DCR factors for each of the gas rate schedules.

**DSM Budget Allocation by Rate Class for 2005**

Exhibit AG

Page 3 of 4

Program	Allocation	2005
<b>Total of All Programs</b>		
LGE: R		3,551,644
LGE: RGS		1,049,405
LGE: GS		259,931
LGE: LC		174,461
LGE: LC-TOD		39,853
LGE: LP		-
LGE: LP-TOD		-
LGE: CGS		8,413
KU: RS		4,033,990
KU: FERS		-
KU: GS		308,258
KU: LP		174,399
KU: LCI-TOD		-
KU: HLF		-
Total		9,600,355
<b>Residential Conservation</b>		
LGE: R	37.5%	144,584
LGE: RGS	12.5%	48,195
KU: RS	50.0%	192,778
KU: FERS	0.0%	-
Total		385,556
<b>Residential Load Mgmt.</b>		
LGE: R	50.0%	3,258,856
KU: RS	50.0%	3,258,856
KU: FERS	0.0%	-
Total		6,517,711
<b>Residential Low-Income</b>		
LGE: R	7.0%	115,433
LGE: RGS	60.0%	989,429
KU: RS	33.0%	544,186
KU: FERS	0.0%	-
Total		1,649,049
<b>Commercial Conservation</b>		
LGE: GS	25.0%	208,155
LGE: LC	20.0%	166,524
LGE: LC-TOD	4.0%	33,305
LGE: CGS	1.0%	8,326
KU: GS	30.0%	249,786
KU: LP	20.0%	166,524
KU: LCI-TOD	0.0%	-
Total		832,619
<b>Commercial Load Mgmt.</b>		
LGE: GS	40.0%	49,112
LGE: LC	5.0%	6,139
LGE: LC-TOD	5.0%	6,139
KU: GS	45.0%	55,251
KU: LP	5.0%	6,139
KU: LCI-TOD	0.0%	-
Total		122,780
<b>Industrial Lighting</b>		
LGE: LP	0.0%	-
LGE: LP-TOD	0.0%	-
KU: LP	0.0%	-
KU: HLF	0.0%	-
Total		34,790
<b>Program Develop and Admin.</b>		
LGE: R	35.4%	32,772
LGE: RGS	12.7%	11,781
LGE: GS	2.9%	2,664
LGE: LC	1.9%	1,798
LGE: LC-TOD	0.4%	409
LGE: LP	0.0%	-
LGE: LP-TOD	0.0%	-
LGE: CGS	0.1%	87
KU: RS	41.2%	38,170
KU: FERS	0.0%	-
KU: GS	3.5%	3,221
KU: LP	1.9%	1,737
KU: LCI-TOD	0.0%	-
KU: HLF	0.0%	-
Total	100.0%	92,647

LOUISVILLE GAS & ELECTRIC COMPANY  
Allocation of DSM Program Costs to Rates

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GAS	
Residential Gas Service RGS	\$ 1,049,405
Commercial Customers Served Under Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT	\$ 8,413
TOTAL GAS	\$ 1,057,818

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LOUISVILLE GAS & ELECTRIC COMPANY

DSM Cost Recovery (DCR)  
For Residential Gas Service RGS  
12-Month Period Beginning January 1, 2005

The total 2005 DSM Program Cost for Residential Gas Service RGS is \$1,049,405 as determined on page 4 of Exhibit AG. This filing proposes to determine a DSM Cost Recovery (DCR) factor to be applicable for the period of January 1, 2005 through December 31, 2005. The DCR factor is calculated by dividing the total 2005 program cost for Rate RGS by the January - December, 2005 forecasted Ccf sales as shown on page 2. The resulting DCR factor for Residential Gas Service is 0.453 ¢ per Ccf.

LOUISVILLE GAS & ELECTRIC COMPANY  
Calculation of DCR Component For Rate RGS

Forecast  
Ccf Sales

JAN 2005	47,133,191
FEB	43,339,329
MAR	33,534,536
APR	20,906,493
MAY	10,743,716
JUN	5,761,023
JUL	4,656,649
AUG	4,210,039
SEP	4,806,918
OCT	7,068,989
NOV	16,559,625
DEC	<u>33,079,787</u>
	<u><u>231,800,295</u></u>

Total Program Costs \$ 1,049,405

Revised DCR Factor in ¢ per Ccf 0.453

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Cost Recovery (DCR)  
For Commercial Customers Served Under  
Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT  
12-Month Period Beginning January 1, 2005

The total 2005 DSM Program Cost for Commercial Gas Customers is \$8,413 as determined on page 4 of Exhibit AG. This filing proposes to determine a DSM Cost Recovery (DCR) factor to be applicable for the period of January 1, 2005 through December 31, 2005. The DCR factor is calculated by dividing the total 2005 program cost for Commercial Gas Customers by the January - December, 2005 forecasted Ccf sales as shown on page 2. The resulting DCR factor for Commercial Gas Service is 0.007 ¢ per Ccf.

LOUISVILLE GAS & ELECTRIC COMPANY  
Calculation of DCR Component For Rates CGS, G-6, G-7, TS, and FT

Forecast  
Ccf Sales

JAN 2005	24,310,107
FEB	21,369,552
MAR	17,065,290
APR	10,816,119
MAY	6,120,790
JUN	4,070,280
JUL	3,569,539
AUG	3,345,864
SEP	3,763,579
OCT	4,520,782
NOV	9,149,910
DEC	17,436,797
	<u>125,538,609</u>

Total Program Costs 8,413

Revised DCR Factor in ¢ per Ccf 0.007

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Cost Recovery (DCR)  
For Industrial Customers Served Under  
Rate IGS, Rate G-6, Rate G-7, Rate TS, and Rate FT  
12-Month Period Beginning January 1, 2005

Not currently applicable.

LOUISVILLE GAS & ELECTRIC COMPANY  
Summary of DSM Revenues from Lost Sales Component (DRLS)  
12-Month Period Beginning January 1, 2005

Rate Schedule	DRLS
Residential Rate RGS	0.057 ¢/Ccf
Commercial Customers Served Under Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT	0.002 ¢/Ccf

LOUISVILLE GAS & ELECTRIC COMPANY  
Summary of DSM Revenues from Lost Sales Component: DRLS  
12-Month Period Beginning January 1, 2005

Rate Schedule	Exhibit Reference	Lost Net Revenues Total Amount	Estimated Billing Determinants (Ccf)	DSM Revenues from Lost Sales Component (DRLS)
Residential Rate RGS	BG-1	\$ 130,976	231,800,295	0.057 ¢/Ccf
Commercial Customers Served Under Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT	BG-2	\$ 2,103	125,538,609	0.002 ¢/Ccf
Total DRLS Amount		\$ 133,080		

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Revenues from Lost Sales (DRLS)  
For Residential Rate RGS  
12-Month Period Beginning January 1, 2005

This filing computes Revenues from Lost Sales with a Lost Net Revenue methodology based on engineering estimates of DSM program energy reduction. Lost Net Revenue is calculated by multiplying the non-variable revenue requirement per Ccf by the estimated annual reduction in customer usage as shown on page 2. The non-variable revenue requirement is the weighted average price per Ccf of expected billings in 2005 under the energy charges contained in the Rate Schedule RGS, after deducting the variable costs included in such energy charges.

The DRLS factor is calculated by dividing the total applicable lost net revenue for Rate RGS by the January - December, 2005 forecasted Ccf sales as shown on page 3. The resulting DRLS factor for Residential Rate RGS is .057 ¢ per Ccf.

LOUISVILLE GAS & ELECTRIC COMPANY  
Calculation of Lost Net Revenues for Rate RGS  
12-Month Period Beginning January 1, 2005

<u>Program Descriptions</u>	<u>Total Energy Savings (Ccf)</u>	<u>Non-variable Revenue per Ccf</u>	<u>Lost Net Revenue</u>
Residential Conservation	173,023	\$ 0.15470	\$26,767
Residential Low-Income	673,625	\$ 0.15470	\$104,210
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TOTAL PROGRAMS	846,648		\$130,976

LOUISVILLE GAS & ELECTRIC COMPANY  
Calculation of DRLS Component For Rate RGS  
12-Month Period Beginning January 1, 2005

	Forecast <u>Ccf Sales</u>
JAN 2005	47,133,191
FEB	43,339,329
MAR	33,534,536
APR	20,906,493
MAY	10,743,716
JUN	5,761,023
JUL	4,656,649
AUG	4,210,039
SEP	4,806,918
OCT	7,068,989
NOV	16,559,625
DEC	<u>33,079,787</u>
	<u><u>231,800,295</u></u>

Total Lost Net Revenue \$ 130,976

Revised DRLS Factor in ¢ per Ccf 0.057

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Revenues from Lost Sales (DRLS)  
For Commercial Customers Served Under  
Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT  
12-Month Period Beginning January 1, 2005

This filing computes Revenues from Lost Sales with a Lost Net Revenue methodology based on engineering estimates of DSM program energy reduction. Lost Net Revenue is calculated by multiplying the non-variable revenue requirement per Ccf by the estimated annual reduction in customer usage as shown on page 2. The non-variable revenue requirement is the weighted average price per Ccf of expected billings in 2005 under the energy charges contained in the Commercial Rate Schedules, after deducting the variable costs included in such energy charges.

The DRLS factor is calculated by dividing the total applicable lost net revenue for Commercial gas customers by the January - December, 2005 forecasted Ccf sales as shown on page 3. The resulting DRLS factor for Commercial customers served under rate CGS, G-6, G-7, Rate TS, and Rate FT is 0.002¢ per Ccf.

LOUISVILLE GAS & ELECTRIC COMPANY  
Calculation of Lost Net Revenue for Commercial Customers Served Under  
Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT  
12-Month Period Beginning January 1, 2005

<u>Program Descriptions</u>	<u>Total Energy Savings (Ccf)</u>	<u>Non-variable Revenue per Ccf</u>	<u>Lost Net Revenue</u>
Conservation Program	14,052	\$ 0.14968	\$2,103
TOTAL PROGRAMS	14,052		\$2,103

LOUISVILLE GAS & ELECTRIC COMPANY  
Calculation of DRLS Component for Commercial Customers Served Under  
Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT  
12-Month Period Beginning January 1, 2005

Forecast  
Ccf Sales

JAN 2005	24,310,107
FEB	21,369,552
MAR	17,065,290
APR	10,816,119
MAY	6,120,790
JUN	4,070,280
JUL	3,569,539
AUG	3,345,864
SEP	3,763,579
OCT	4,520,782
NOV	9,149,910
DEC	17,436,797
	<u>125,538,609</u>

Total Lost Net Revenue \$ 2,103

Revised DRLS Factor in ¢ per Ccf 0.002

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Revenues from Lost Sales (DRLS)  
For Industrial Customers Served Under  
Rate IGS, Rate G-6, Rate G-7, Rate TS, and Rate FT  
12-Month Period Beginning January 1, 2005

Not currently applicable.

LOUISVILLE GAS & ELECTRIC COMPANY  
Summary of DSM Incentive Component (DSMI)  
12-Month Period Beginning January 1, 2005

Rate Schedule	Exhibit Reference	DSM Incentive Total Amount	Estimated Billing Determinants	DSM Incentive Component (DSMI)
Residential Rate RGS	CG-1	\$ 55,842	231,800,295 Ccf	0.024 ¢/Ccf
Commercial Customers Served Under Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT	CG-2	\$ -	125,538,609 Ccf	0.000 ¢/Ccf
Total DSMI Amount		\$ 55,842		

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Incentive Component (DSMI)  
For Residential Rate RGS  
12-Month Period Beginning January 1, 2005

This filing proposes to compute a DSMI factor based on two of the residential programs. The proposed factor consists of two incentive components: Education and Load Control Programs, and Energy Impact Programs. The two programs are "Energy Impact Programs," and the incentive amounts are computed as 15% of the net present value benefits (i.e., the difference between the 20 year avoided cost savings and the 2005 program costs). Programs which indicate a negative difference are considered to have a zero benefit for purposes of computing the incentive.

The DSMI factor is calculated by dividing the total 2005 incentive amount for Rate RGS by the January - December, 2005 forecasted Ccf sales as shown on page 3. The resulting DSMI factor for Residential Rate RGS is 0.024 ¢ per Ccf.

LOUISVILLE GAS & ELECTRIC COMPANY  
Calculation of Rate RGS Incentives

	<u>Net Present Value</u>			<u>15% of Benefits</u>	<u>Incentive</u>
	<u>Avoided Costs</u>	<u>Program Costs</u>	<u>Benefits</u>		
<u>Energy Impact Programs</u>					
Residential Conservation	\$ 229,390	\$ 86,934	\$ 142,456	\$ 21,368	\$ 21,368
Residential Low-Income	\$ 880,100	\$ 650,274	\$ 229,826	\$ 34,474	\$ 34,474
Total Programs Incentive					\$ 55,842

LOUISVILLE GAS & ELECTRIC COMPANY  
Calculation of DSMI Component For Rate RGS

Forecast  
Ccf Sales

JAN 2005	47,133,191
FEB	43,339,329
MAR	33,534,536
APR	20,906,493
MAY	10,743,716
JUN	5,761,023
JUL	4,656,649
AUG	4,210,039
SEP	4,806,918
OCT	7,068,989
NOV	16,559,625
DEC	33,079,787
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	231,800,295
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Total Incentive     \$    55,842

DSMI Factor in ¢ per Ccf            0.024

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Incentive Component (DSMI)  
For Commercial Customers Served Under  
Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT  
12-Month Period Beginning January 1, 2005

This filing proposes to compute a DSMI factor based on the commercial program. The commercial program is considered to be "Energy Impact Programs," and the incentive amounts are computed as 15% of the net present value benefits (i.e., the difference between the 20 year avoided cost savings and the 2005 program costs), as shown on page 2.

The DSMI factor is calculated by dividing the total 2005 incentive amount for Rates CGS, G-6, G-7, TS and FT by the January - December, 2005 forecasted Ccf sales as shown on page 3. The resulting DSMI factor is 0.000 ¢ per Ccf.



LOUISVILLE GAS & ELECTRIC COMPANY  
Calculation of DSMI Component For Rate CGS

Forecast  
Ccf Sales

JAN 2005	24,310,107
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MAR	17,065,290
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AUG	3,345,864
SEP	3,763,579
OCT	4,520,782
NOV	9,149,910
DEC	17,436,797
	<u>125,538,609</u>

Total Incentive \$ -

DSMI Factor in ¢ per Ccf 0.000

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Incentive Component (DSMI)  
For Industrial Customers Served Under  
Rate IGS, Rate G-6, Rate G-7, Rate TS, and Rate FT  
12-Month Period Beginning January 1, 2005

Not currently applicable.